

SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
DBA INTER-ISLAND MEDICAL CENTER
San Juan County, Washington
January 1, 1992 Through December 31, 1993

Schedule Of Findings

1. The District Should Retain All Accounting Records And Improve Internal Controls Over Cash Receipts

Our review of cash receipting for San Juan County Public Hospital District No. 1 found accounting records were not consistently prepared and/or retained for cash receipting and billing adjustment transactions. Our review also noted material control weaknesses including:

- a. A lack of segregation of duties between handling of mailed-in receipts, depositing, billing, and billing adjustments.
- b. Unrestricted access to the same cash drawer.
- c. Ineffective segregation of duties for checks received over the counter exists due to the lack of an effective system for establishing accountability.
- d. Miscellaneous billing adjustments are not supported. It is not possible to determine why an adjustment was made, who initiated the adjustment, or who authorized the adjustment. Additionally, there is no review of adjustments made at a detail level to ensure that only authorized adjustments are entered.
- e. Billings are posted from fee slips completed by the patient's doctor. The appointment book is compared to the fee slips submitted for posting to ensure completeness. However, not all fee slips are posted immediately if diagnosis is pending. When diagnosis is received, the transaction is posted as of the date of service. The fee slips are filed by date of posting. There is no procedure in place to track unposted fee slips nor is there a clear audit trail to locate these fee slips after the fact.

State law requires the district to properly account for revenue in RCW 43.09.200 which states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever . . . The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, voucher and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . (Emphasis ours.)

Documentation was not retained because of its bulk and a lack of awareness on the

district's part that is was required to be kept.

The district sends a two-part bill to patients. However, by the district's own estimate, only 5 percent of patients who pay by mail, return the second half with their payment. Given this situation, it has been considered necessary for the person posting receipts to physically have the checks to determine which account is being paid.

As a result of the noncompliance and control weaknesses identified, errors or irregularities material to the financial statement could have occurred and been detected.

We recommend the district:

- a. Establish and retain all records used to post receipts, billings, and adjustments.
- b. Provide individual accountability for money received over the counter. This may be accomplished by restricting access to cash drawers to one person per drawer.
- c. Institute procedures which establish accountability for payments received. For receipts received over the counter, this may be accomplished by tracking the issuance and use of prenumbered fee slips. For receipts received through the mail, this may be accomplished by segregating mail opening and receipt posting responsibilities.
- d. Institute effective segregation of duties for cash receipting, billing, and billing adjustments.
- e. Establish procedures to document, approve, and monitor billing adjustments.
- f. Track fee slips for which diagnosis is pending to provide assurance that all fee slips are posted and to improve the audit trail.